

Columbia Gas[®]
of Kentucky

A NiSource Company

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SEP 20 2004

PUBLIC SERVICE
COMMISSION

September 20, 2004

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dear Ms. O'Donnell:

Pursuant to the Commission's Order dated July 20, 2004 in Case No. 1999-165, Columbia Gas of Kentucky, Inc., ("Columbia") hereby submits its report on the status of its Customer CHOICESM program. An original and ten copies are enclosed.

If you have any questions, please give me a call at (859) 288-0242.

Sincerely,



Judy M. Cooper
Director, Regulatory Policy

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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SEP 20 2004

PUBLIC SERVICE
COMMISSION

In the Matter of:

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)
THE TARIFF FILING OF COLUMBIA GAS)
OF KENTUCKY, INC. TO IMPLEMENT A)
SMALL VOLUME GAS TRANSPORTATION)
SERVICE, TO CONTINUE ITS GAS COST)
INCENTIVE MECHANISMS, AND TO)
CONTINUE ITS CUSTOMER ASSISTANCE)
PROGRAM.)

CASE NO. 99-165

REPORT OF COLUMBIA GAS OF KENTUCKY, INC.

By Order dated July 20, 2004, in this docket, the Commission ordered Columbia Gas of Kentucky, Inc., ("Columbia") to file a detailed status report on its plans regarding the future of its CHOICE Program. Columbia hereby submits its report and requests that the Commission continue its postponement of the planned evaluation of Columbia's pilot CHOICE Program.

As contemplated in Columbia's April 23, 2004 letter to the Commission, Columbia has discussed with interested parties the expiration of the CHOICE program. Columbia has contacted the Office of the Attorney General of the Commonwealth of Kentucky, the Lexington-Fayette Urban County Government and the Community Action Council for Fayette, Bourbon, Harrison and Nicholas Counties, all of whom participated in the development of Columbia's original pilot program proposal. The marketers currently participating in the CHOICE Program have also been contacted – i.e., Interstate Gas Supply Co., Inc. ("IGS"), and MXEnergy, Inc. (FSG Energy Services, a marketing subsidiary of Wisconsin Public Service Resources Corporation that provided

input for the original proposal was not contacted because its original participation was limited to an advisory role and it has not participated in the CHOICE Program).

Based upon its discussion with the other stakeholders, Columbia believes that the continued availability of natural gas transportation to small volume customers is of great interest to some of the parties, and the other parties have no objection to a continuation of a small volume gas transportation program. Furthermore, Columbia currently has over 42,000 customers participating in the CHOICE Program. Thus, given this level of stakeholder and customer interest in the CHOICE program, Columbia has considered the feasibility of continuing the CHOICE program, and has considered whether modifications to the program might be beneficial.

Working primarily with IGS, Columbia has developed a general framework for a new Customer CHOICE Program. This framework will be presented to the other stakeholders at a meeting to be held within the next couple of weeks. Columbia hopes that the stakeholders will be able to build upon the framework to develop a new CHOICE Program that will continue to provide benefits for customers, and that will be easier to administer for Columbia and marketers.

Columbia hopes to be able to file an application setting forth the proposal for the new CHOICE Program by the end of October, although the exact timing will depend, in part, on the reactions of the stakeholders to the proposal. Columbia's goal is to obtain Commission action upon the application so that the new CHOICE Program can be operational by April 1, 2005, ensuring that customers will experience a seamless transition between the current program and the new one.

Columbia believes the planned evaluation of the current program may be unnecessary due to the filing of the proposal for a new CHOICE Program, and requests a continued post-

ponement of any evaluation of the current program while the details of a new program are being developed.

Dated at Columbus, Ohio, this twentieth day of September 2004.

Respectfully submitted,

COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Report to the Commission was served upon all parties of record by regular U.S. Mail this 20th day of September 2004.

Stephen B. Seiple (gme)

Stephen B. Seiple

Attorney for

COLUMBIA GAS OF KENTUCKY, INC.

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